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ABSTRACT

The 1973-74 annual report of the Pennsylvania Higher Education Assistance Agency covers three main areas. (1) The State Higher Education Grant Program, previously called the State Scholarship Program, awarded grants to 28,133 persons who were 1973 high school graduates, 56,728 "renewals" (also had awards in 1972-73), and 21,613 upperclassmen who did not have an award in the previous year but who needed help to return to school in the fall of 1972. (2) The State Student Loan Guaranty Program provides guarantees to lenders who make loans to students for their schooling. Participating lenders extended $87,908,863 in new loans. Some 68,389 new and renewed loans were made and 29,685 new borrowers used the program. (3) The Matching Funds Program matches the federal allocations distributed through the National Direct Student Loan (NDSL), Nursing Student Loan, and College Work-Study. The federal/state matching ratios of the three programs are as follows: National Direct Student Loan, nine federal dollars to one state dollar; Nursing Student Loan, nine federal dollars to one state; and College Work-Study Program, four federal to one state. An accompanying table shows dollar amounts contributed by the state and the federal government for each program, and the totals for both the 1973-74 academic year. (Author/KE)

ED107175

# PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

## *ANNUAL REPORT*

## *1973–74*

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PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

ANNUAL REPORT FOR 1973-74

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PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY
TOWNE HOUSE
HARRISBURG, PENNSYLVANIA 17102

To His Excellency, Milton J. Shapp, Governor

and

To the Honorable Members of the General Assembly

Each year I have the distinct pleasure of submitting to you the annual report of the Pennsylvania Higher Education Assistance Agency. I say pleasure, because nothing demonstrates more than the 1973-74 report submitted herewith what a state agency can do in the proper and responsible pursuit of its assigned task to serve the Commonwealth's population.

I believe this Agency has a uniqueness unmatched elsewhere in the state. This is because it is flexible enough to be responsive to each student's needs as they change year by year. Because the Agency serves primarily--although not exclusively--the youth of the state, it also renders a service to their parents and other family members. It therefore has to be one of the few governmental organizations whose activities touch everyone whose status is such that his or her need calls out for assistance.

Education is one of the methods for achieving improvement in all areas of living. PHEAA will continue to strive in the future as it has in the past to be fair and equitable in administration of the vitally important programs of state student aid. This will help in the education of our citizenry, and education will help in the achievement of the goals of society.

As Chairman of the Board of Directors, my thanks go to my colleagues on the Board, to the Executive Director and his staff, and to all others who have lent their support to the Agency. The accomplishments of PHEAA speak for themselves today. The results and accomplishments of the students will return to us in the many tomorrows of the future.

Respectfully Submitted
for the Board of Directors,

Wilmot E. Fleming

Wilmot E. Fleming, Chairman

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PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

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. . . . . .

Kenneth R. Reeher
Executive Director

# INTRODUCTION

Any report dealing with the happenings of the period fiscal 1973-74--particularly one concerned with rendering a form of assistance to the Commonwealth's citizenry--would be remiss if it did not call to mind the aftermath of the 1972 flood, the worst in the history of our state. It is difficult to imagine how a substantial portion of Pennsylvanians would have survived the flood without the various forms of aid that were forthcoming to them. The Pennsylvania Higher Education Assistance Agency was proud to have been instrumental, through the state monies appropriated to it, in providing student financial assistance to thousands of people who otherwise may have had to curtail their plans for the future.

True, that year--1972--may very well be a part of the history books. But in the case of PHEAA--where student aid is a continuing responsibility--the problem of helping those who were victims of the catastrophe does not just go away. It continues. In fact, 1973-74 was a year which saw many of those same flood-stricken individuals still reeling from the effects of the year before. Pennsylvania's government came to the forefront and continued to see to it that aid was available, and in the case of student aid, this often meant the difference between quitting school, deferring one's plans or opting for an entirely different career. PHEAA feels that the figures and the results speak for themselves.

Other factors led to 1973-74 being the banner year that it was for state student aid. The General Assembly saw fit to legislate a new program of state grant aid for veterans and another for dependents of prisoners of war and those missing in action in the Viet Nam conflict. This legislation was passed and became law in 1972, but the first year of increased activity for the veterans program was the year covered by this report.

So it was that PHEAA was confronted with two new "groups" of people for whom aid needed to be provided, one because of a tragedy, the other by way of legislation to help those who had served their country in a time of conflict. At the same time, it behooved the Agency to manage the programs as wisely as possible with the funds provided. The much desired "student self-help" concept continued to be retained in the program so as to spread the state grant dollars and to edge rising costs.

The maximum state grant was continued at $1,200 in-state and $800 at out-of-state schools but not to exceed tuition and fees. Students still continued to be able to attend the schools of their choice, whether these were in Pennsylvania or elsewhere and either public or private. They were able to select a college or a business, trade, technical or nursing school. Thus was continued the "Pennsylvania philosophy": That freedom of choice is vital, and to continue that freedom the Commonwealth must be concerned with all aspects of education and career preparation.

PHEAA is of the firm opinion that the job of assisting students in 1973-74 was accomplished as best it could be with the funds provided. The needs of the flood victims and the veterans were supplied and the students in the basic program continued to be beneficiaries. Of course, the long-range beneficiaries will be the people of Pennsylvania. For those in attendance at postsecondary institutions will one day become the work force of our state, contributing their time and talents, paying their taxes, increasing the swell of the general marketplace and adding to our standard of living and the individual fulfillment of all who live and work in our state.

## STATE HIGHER EDUCATION GRANT PROGRAM

Previously, this program was known as the State Scholarship Program. To many people, this carries with it a connotation of "scholarship" as being "academic achievement." Believing that the name State Higher Education Grant Program would be more appropriate because the grants are based solely on need, the Board of Directors decided on changing the name. Grants seems a more fitting nomenclature and serves to be less confusing to the numerous individuals whose questions about the "scholarship" program seemed to indicate a misinterpretation on their part.

During 1973-74, PHEAA made awards to 106,474 students. The value of these awards was $63,639,614.

Recipients were: 28,133 who were 1973 high school graduates; 56,728 "renewals" (also had awards in 1972-73); and 21,613 upperclass persons who did not have an award in the previous year but who needed help to return to school in the fall.

The category of "renewals" includes a substantial number of flood victims and some veterans. The 21,613 upperclass individuals also is reflective of a number of veterans and flood award students who did not have an award the previous year but found it necessary to file for a grant this year.

The full-year average awards was $662. This figure varies by type of institution from a full-year average award of $869 at Pennsylvania independent colleges and universities to a full-year average award of $368 at Pennsylvania community colleges.

Of the total receiving awards, 88.6% are attending institutions of higher learning located in Pennsylvania. The value of their awards is about $56.1 million, an increase of $1.4 million over the previous year. It is believed more tended to enroll in Pennsylvania because of the state grant value difference for enrollment within Pennsylvania as compared to enrollment outside Pennsylvania.

Some 39% of this year's basic program (non-veterans) award recipients come from families whose parental gross income (income before taxes, exemptions, and deductions) was under $8,000. These low-income students are receiving $25.6 million in aid, a sum representing 40.2% of the total state funds awarded.

Recipients coming from middle-income families increased rather substantially this year. About 7% of those in this year's basic program came from families whose parental gross income was $15,000 or above. The value of their awards was $2.7 million. The number in this group increased from 2.8% and the dollar value was up from $1.7 million in 1972-73.

This increased participation by the middle-income groups is showing a trend. More and more people in that category are turning to student aid sources for assistance as their economic circumstances change, as postsecondary education costs heighten and living costs increase.

The average parental gross income of this year's basic program (non-veterans) award recipients was $8,854. After applying PHEAA adjustments to the $8,854 figure, these families have a mean PHEAA-adjusted income of $7,900.

Of the 106,474 awards, 64.6% (68,807) went to recipients in the lower-division (freshmen or sophomore) of undergraduate study. Of those receiving awards, 30.2% (32,160) lived at home while attending college; 24.3% of the recipients had at least one brother or sister also enrolled in a higher education institution.

Veterans of the U. S. Armed Forces in 1973-74 received $9.8 million in student aid--15.5% of the total of funds awarded. Their number totaled 13,543. The $9.8 million is an increase of $4.5 million over the amount awarded to veterans in the previous year, 1972-73, when there were 8,391 veterans who received $5.3 million in awards. The number of veterans participating in the program increased by 61.4%. The dollar value of their awards increased by 84.9% over the previous year.

## STATE STUDENT LOAN GUARANTY PROGRAM

The State Student Loan Guaranty Program is the Commonwealth's means of assisting students to get a higher education by providing guaranties to lenders who make loans to students for their schooling. Called simply the "Loan Program" by those in the trade, it is an important source of student aid funds. In theory, and it works out quite well in practice as well, Pennsylvania students are expected to obtain a parental contribution toward their school costs, then obtain the remainder of their needed monies from grants, loans and work. Usually, the student's share after parental contribution is made up of approximately one-third from each of these three sources.

Thus, the Loan Program is one program where an outside "helper" in the form of private lenders is brought into play. PHEAA, acting for the Commonwealth, simply guarantees the loans that are made by the student. This the Agency does by making a 100% loan guaranty so that if a loan goes into default, the lender is paid off. Then the Agency makes a request for federal reinsurance from the U. S. Office of Education, the reinsurance being equivalent to 80% of the payoff to the lender. The state absorbs the remaining 20%. The exceptions are death or permanent disability of a student borrower where the Agency receives 100% reinsurance from the federal government.

Without such an arrangement the program could not exist without substantial state appropriations. To begin with, lenders could put their funds elsewhere in the borrowing market and make more money than the 7% flat interest plus a quarterly special allowance paid by the federal government under the program. Lenders take part not only because they are aware of the goodwill elicited, but because they are willing to stake their funds in the state's future and that of the student who one day will become a productive individual.

Pennsylvania lending institutions have consistently formed the backbone of this program by extending their funds to help students who are willing to encumber their future earnings to help pay for their current postsecondary education costs. In normal recent years, these lenders have provided loans in excess of $100 million a year. These loans are low in cost and have a rather lengthy period of repayment which takes into consideration the status of a student once he is out of school. In fact, the period may range up to ten years under certain conditions. Ordinarily, the student--who must be a Pennsylvania domiciliary for 30 days immediately prior to filing an application--begins his repayment from nine to 12 months after he leaves school either by graduation or other means of withdrawal.

As mentioned, in "normal" years this total of guaranteed student loans runs to a figure in excess of $100 million dollars. But 1973-74 was not a "normal" year. The federal government--by whose rules the State Guaranty Loan Program must abide in order to take advantage of certain federal benefits--imposed a strict needs test on students who wished to make guaranteed loans. The result was rather chaotic. Federal regulations were cloudy, lenders, educational institutions, guaranty agencies and students were in a quandry and, for a period of several months, the program was at a standstill.

Even so, participating lenders in the state's program extended another $87,908,863 in new loans over the period covered by this report. Some 68,389 new or renewal loans were made during that time. There were 29,685 new borrowers during the year.

Since the PHEAA program began nine years ago, 285,314 borrowers have obtained 525,814 loans valued at $571,594,987 (including loans made during the year ending June 30, 1974).

For the period ending June 30, 1974, there were 1,303 participating lenders in the program, 16 more than participated the previous year. These included commercial banks, federal savings and loan associations, state savings and loan associations, credit unions, mutual banks and four educational institutions who make loans.

The increase in the number of participants indicates that although the stringent needs test was in effect, lenders were continuing to show evidence of their willingness to participate in the guaranty program.

As mentioned, lenders are the backbone of the program. Their participation over the years has alleviated the need for Pennsylvania to tie up large sums of taxpayer funds for a loan program. At the same time, the students have been able to obtain, on their own signatures, the funds to help them help themselves, and this again harkens back to the Pennsylvania philosophy that the student and his or her family have the first responsibility for the student's postsecondary education.

## MATCHING FUNDS PROGRAM

The federal government, through the U. S. Office of Education, allocates financial support to higher education institutions throughout the country in three student financial aid programs. These are the National Direct Student Loan Program (NDSL), the Nursing Student Loan (NSL), and the College Work-Study Program (CWS). Basic to each program is the requirement that the institution administer the programs and contribute a matching fund to which the federal government's allocation would be added. This type of funding procedure allows relatively few institutional dollars to create the basis for much larger amounts of federal student financial aid funds to students from families with low incomes.

Pennsylvania's General Assembly, recognizing the advantage of full receipt of federal funds in these programs by the public-supported institutions of higher education, makes an annual appropriation to PHEAA for allocation to the state-owned and community colleges.

PHEAA allocates appropriated funds provided by the General Assembly in the proportion that each participating institution's full-time enrollment bears to the total full-time enrollment of all participating institutions.

PHEAA also coordinates an off-campus statewide summer College Work-Study Program in cooperation with the Governor's Office of Administration and the Department of Community Affairs. Its purpose is to provide full-time summer employment for needy Pennsylvania students in local and state government and non-profit agencies, at no cost to the employer.

The principal source (80%) of the payroll costs is federal College Work-Study Program money allocated to the colleges. The remaining 20% is provided by PHEAA from its state matching funds appropriation. The colleges expect the student to save at least one-half of these earnings to help pay his or her next year's college expenses. In this way, the program generates additional student financial aid funds and provides the student with meaningful work experience.

Though not designed precisely for that purpose, the program serves as a potential recruiting tool. Many students who work in the governmental and non-profit areas previously mentioned find during their summer work experience that they would like to follow careers in some of these jobs. Having already grounded themselves in these jobs to some extent, as summer workers, they are attractive sources for employers to draw from for full-time, permanent employees.

Of course, not to be overlooked is the fact that during their summer work tenure these students provide an inexpensive work force for state government and other employers that otherwise would not be available.

The federal/state matching ratios of the three programs are as follows: National Direct Student Loan, nine federal dollars to one state dollar; Nursing Student Loan, nine federal to one state; and College Work-Study Program, four federal to one state. In other words, one state dollar captures many additional federal dollars for the several purposes of student aid.

During the summer of 1973 some 65 Pennsylvania colleges and 30 out-of-state colleges took part in the program. Of the 2,068 students referred for jobs by the 95 institutions, 2,055 actually accepted jobs and worked. There were 328 different agencies offering employment.

The accompanying table shows dollar amounts contributed by the state (PHEAA) and the federal government (USOE) for each of the programs, and the totals for both for the 1973-74 academic year.

MATCHING FUNDS
(COMMUNITY COLLEGES)
(1973 - 1974)

| | NURSING | | NDSL | | CWS | | TOTAL | | TOTAL AID |
|---|---|---|---|---|---|---|---|---|---|
| | PHEAA | USOE | PHEAA | USOE | PHEAA | USOE | PHEAA | USOE | PHEAA plus USOE |
| 1973 - 1974 | $3,429 | $30,861 | $58,758 | $526,932 | $121,244 | $451,148 | $183,171 | $1,008,941 | $1,192,112 |



MATCHING FUNDS
(STATE-OWNED)
(1973 - 1974)

| | NDSL | | CWS | | TOTAL | | TOTAL AID |
|---|---|---|---|---|---|---|---|
| | PHEAA | USOE | PHEAA | USOE | PHEAA | USOE | PHEAA plus USOE |
| 1973 - 1974 | $177,206 | $1,594,854 | $508,772 | $2,035,088 | $685,987 | $3,629,942 | $4,315,920 |